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SUBJECT: CANADIAN OFFICIALS SUGGEST THAT MINISTER LAPIERRE'S WISH FOR PUBLIC DEBATE ON AIR LIBERALIZATION AND QUEBEC SCANDAL HAVE SLOWED MOVEMENT TOWARD OPEN SKIES DISCUSSIONS

REF: E-mail Byerly - Gallagher April 8, 2005

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1. (SBU) Emboffs met on April 6 with Chief of Staff to Minister of Transport Jean Lapierre, Leslie Swartman, and Lapierre's Senior Policy Advisor, Paul Stothart, to discuss the Government of Canada's (GOC) slow steps toward air liberalization discussions. When Lapierre and Secretary of Transportation Mineta met in Ottawa at the end of February, they had announced that they were about to embark on "exploratory discussions" regarding a more liberal aviation agreement. (Comment: Secretary Mineta had gone so far as to suggest that a bilateral Open Skies agreement would be an important step toward realizing the "vision of NAFTA" in aviation. Minister Lapierre had stated that the "window of opportunity to move ahead is now open." End comment.)

2. (SBU) Emboffs observed that almost seven weeks later, with both the Minister and the Secretary seemingly having been keen on moving forward, it is surprising that the GOC has not yet moved to engage in exploratory discussions. Swartman and Stothart initially explained that Transport Canada officials (including themselves, who are both new to their jobs) "needed more time to understand the issues" that are to be discussed. They then indicated that Minister Lapierre, who is also the Prime Minister's chief lieutenant for Quebec politics, is engaged with the revelations of putative Liberal party corruption in Quebec that threatens to bring the government down. Accordingly, air liberalization has taken a back seat to the scandal investigation. The Minister is not pushing his officials to commence discussions now on a potentially politically sensitive file, although, they added, his clear preference, as articulated in speeches and during his meeting with Secretary Mineta, is to begin discussions.

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3. (SBU) Swartman and Stothart also noted that, with respect to the study now being undertaken by the House of Commons Standing Committee on Transportation, the Minister does indeed feel obliged to let the Committee do its work before he gets Transport involved in meeting stakeholders and developing a GOC agenda, which confirms Kris Burr's message to U/S Shane (ref B). Furthermore, Swartman and Stothart provided the same timeline of being ready to start official-to-official meetings in late August, with a preferred date to announce this effort being September 19 in Toronto at the ACI conference.

4. (SBU) On April 8 Emboffs met with Cliff Mackay, CEO of the Air Transport Association of Canada (ATAC). Mackay provided the same opinion as Swartman, Stothart, and Burr with respect to the Committee deliberations having forced a slowdown in getting the discussions underway. Minister Lapierre had expected the Transportation Committee to lead nationwide public debate on liberalization. In addition, Mackay told us that domestic cargo carriers remain adamantly opposed to liberalization. In the current volatile political climate, even starting low-level exploratory talks would be courting additional political dangers for the government that it clearly doesn't want right now. According to Mackay, the small Canadian cargo carriers believe that pilots' unions scope clauses will not allow these small cargo operators to effectively link up with big U.S. cargo carriers. On the other hand, Mackay observed that the Transport Canada bureaucracy as a whole is not "pushing back" on the Minister's liberalization agenda,

something that could not have been taken for granted a few years ago.

Dickson